III.—PRESENTATION OF THE REVISED BUDGET FOR 1962-63.

THE HON. SRI R. VENKATARAMAN: Mr. Chairman, Sir, I have the honour to present to this House the Budget Estimate for 1962-63. The Finance Minister has dealt with the different aspects of the Budget in his speech[a] this morning in the Lower House. I shall therefore be content to make a few general observations.

2. The Budget as now framed is highly deficit. As against an estimated revenue of Rs. 106·5 crores on the existing level of taxation, the anticipated outlay on Revenue Account is Rs. 116·01 crores. Even after substantial additional taxation estimated to yield Rs. 6·65 crores in the current year, there will still be an appreciable deficit of Rs. 2·86 crores. We have decided to leave this deficit uncovered because some of the new taxes are expected to fetch increasing yields in coming years which would go some way towards ensuring budgetary stability over a period of years.

3. The reasons for this heavy deficit are not far to seek. The Budget bears the heavy imprint of the Third Plan estimated to cost Rs. 290 crores over the five years. The initial teething troubles have been largely got over and the field organisation is well set on the implementation of the various schemes included in the Plan. The outlay on the Plan in the current year is now estimated at Rs. 57·27 crores, but the chances are that performance would be even better. We do get a substantial measure of assistance from the Central Government on Plan Schemes, but we have still to find additional resources to the extent of about Rs. 10 crores to balance the revenue content of the Plan. Besides, we have to maintain the various administrative services launched during the First and Second Plans at current levels and the necessary resources must come outside the Plan allotments. The rapid growth in the tempo of outlay in recent years is best illustrated by comparing the total budgeted outlay of the current year with that of 1956-57, in respect of a few development departments :—

	Outlay in 1962-63.	Outlay in 1956-57.
(1)	(2)	(3)
	(RUPEES IN LAKHS)	
Education	25,18	10,27
Medical	6,34	3,57
Harijan Uplift	3,56	1,58
Community Development	6,20	3,00
Agriculture	5,41	1,91
Minor Irrigation	1,71	55
Animal Husbandry	1,70	51
Total	50,10	21,39

[a] Printed as Appendix I on pages 17-126 *infra*.

The outlay by the few departments listed above has increased by Rs. 28·71 crores or 134 per cent of that in 1956–57. We have been able to sustain this rate of development, largely because of the appreciable growth in the economy of the State and the consequent increase in the yields from major sources of revenue such as Sales Tax, Motor Vehicles Tax, Petrol Tax, Stamp Duties and the return from Electricity enterprises.

4. Estimates of progress in terms of financial outlay may be open to the criticism that they can hide some extravagant expenditure. But hon. Members may see from the statistical details contained in the speech of the Finance Minister that we are generally keeping pace with all the physical targets set in the Plan. In respect of compulsory education, for example, the enrolment programme of children within the age group of 6–11 has been progressing faster than scheduled and about 94 per cent of the boys and 57 per cent of the girls have already been enrolled. This has been rendered possible largely by the midday meal scheme for which besides the budget provision of Rs. 135 lakhs, we are getting substantial assistance from America through the CARE organisation. To meet the rush for admission in secondary schools, 272 new high schools were opened last year and it is proposed to open nearly 200 during the current year. Hon. Members will be pleased to note that the annual income limit for free educational concessions in secondary schools, has been raised from Rs. 1,200 to Rs. 1,500. (SRI T. P. SRINIVASAVARADAN: Hear, hear.) The scheme for the grant of loans to the children of non-gazetted officers to cover educational expenses in technical institutions has been extended to all poor students without caste distinction.

5. Turning to the industrial field, we have been persistent in our endeavours to ensure that a fair proportion of the large public sector enterprises under the Central Government, is located in this State. Hon. Members could see from the details of the progress explained in the Budget speech of the integrated Neyveli Project, the Surgical Instruments Plan at Guindy, the Teleprinter Factory at Guindy, the Raw Film Project at Ootacamund, the High Pressure Boiler Plant at Tiruchirappalli and the Defence Industries Project at Avadi, that we did have a measure of success in our endeavours. The steel plant is yet to materialise, but the report of the Expert Committee based on the results of the recent tests conducted in Germany and the observations made thereon by the Union Minister for Steel and Heavy Industries, do justify the hope that a start can be made on this basic industry within this Plan period. All these major industries in the public sector are indeed important; but they may not by themselves go a long way towards spreading an industrial climate in the State comparable to that of Western countries. The appreciable progress we have achieved in recent years in consumer industries like textiles, cement, sugar and light engineering, is largely through the enterprise of businessmen in the private sector. Obviously the quickest way of ensuring widespread industrial growth in the State is by providing all

possible encouragement and assistance to our people to invest their savings in new industrial ventures. It is in this view that we have made liberal provisions in the Budget for technical education and for schemes like construction of industrial estates, acquisition of land in bulk for being developed into industrial colonies, participation in the share structure of new industrial ventures, provision of cheap loans through the agency of State Aid to Industries, and the Madras Industrial Investment Corporation, construction of roads to serve industrial belts and the provision of adequate water supply and electric power. The major bottleneck in the further expansion of industries around Madras is the inadequacy of the present City water supply. For a permanent solution of this problem, we have to bring water either from the Cauvery or from the Krishna, but schemes based on these rivers are likely to be expensive and may take time. In the meantime, we have to conserve all the existing resources for the needs of the growing City and, therefore, the Government have decided to acquire the wet lands under the Red Hills and Cholavaram tanks and also to construct a conduit to transmit the storage from the Poondi Reservoir to the City without wastage on the way. To meet the needs of industries that are likely to come up around Tuticorin when the new harbour is developed, it is proposed to acquire and develop a large extent of land around that town. A scheme for augmenting the water supply of that town has already been taken up for investigation. A High Power Administrative Committee, with a Special Officer as its Secretary, has been constituted to plan and regulate the development of Tuticorin and its hinterland and also to provide liaison with the officers of the Government of India engaged in the construction of the Harbour.

6. The largest single factor which has enabled the industrial development of the State is the availability of cheap power. It is on this experience that we have allotted about Rs. 100 crores out of the total Third Plan provision of Rs. 291 crores for the development of power. No doubt, we are in difficulties at the moment owing to the low storage in the hydel reservoirs, but we should not be unduly disheartened over this passing phase caused by the delayed monsoon. With the commissioning of the Neyveli Thermal Plant, the first unit of which is almost ready, our dependence on capricious monsoons will be appreciably reduced and we may hope to get some relief from recurring power cuts. In the meantime, rapid progress is being made on all the new power schemes of the Third Plan. Fortunately, we have already secured the capital machinery for the Mettur Tunnel Scheme and the Kundah Final Stage, from the Russian and Canadian Governments respectively and therefore, the present foreign exchange crisis may not leave us badly mauled. The rural electrification programme is progressing satisfactorily and we may hope to cover the bulk of the countryside during this Plan period. About 140,000 pumpsets are now being run in this State on electric power. Considering that one electric pumpset can irrigate about 5 acres, the rural electrification programme has enabled us to increase the irrigation potential of the State by about 700,000 acres.

7. In our anxiety to set an accelerated pace in the growth of industries, we should not forget that ours is predominantly an agricultural economy and would continue to be so far many generations. Industrial development may bring in isolated pockets of prosperity, but the living standards of the large bulk of people settled on the country side can be stepped up only by increasing the yield on land by more intensified methods of cultivation. Liberal provisions have therefore been made in the Budget for various agricultural schemes such as for consolidating the new seed farms for the multiplication of improved seeds, for the supply of chemical fertilsers on credit, repayable in easy instalments, for controlling agricultural pests which periodically damage crops, for soil conservation and afforestation measures to prevent erosion and for accelerating the minor irrigation programme in order to conserve the limited monsoon flows. We have managed to step up food production from 44 lakhs tons to 53 lakhs tons during the Second Plan and we are now set on a target of 17 lakhs tons of additional production in the Third Plan. No doubt, the shortage of chemical fertilisers is still the major bottleneck, but this may be relieved with the commissioning of the Neyveli Fertiliser Plant by 1964.

8. All the ameliorative measures cost a good deal of money and would account for the large deficit in the Revenue Account. The gap has been widened further to the extent of Rs. 1·7 crores in the current year and Rs. 2·6 crores in a full year, by our decision to extend some relief to low paid public servants by increasing their dearness allowance by Rs. 5. The pension scheme which we sanctioned at the beginning of this year for old and decrepit destitutes, is indeed a commendable welfare measure, but it is also bound to add to the present deficit. It is not prudent finance to leave a deficit of the order of Rs. 10 crores uncovered especially after the accounts of the previous year had closed with a deficit of about Rs. 8 crores. The deficit can be reduced either by shedding some of the useful schemes incorporated in the Budget or by levying additional taxes. The Government have decided to resort to the harder course.

9. The Finance Minister has already explained the details of the new taxation proposals and I shall not cover the ground with him. The changes proposed in the Motor Vehicles Taxation are also intended to rationalise the tax structure, so that vehicles are assessed in proportion to their laden weight and the distances travelled. In fixing rates for the new levy on power, care will be taken to ensure that there is no perceptible increase in the cost of production of industrial commodities. Actually it will not be more than one per cent lower rates will be prescribed for industries in which the cost of power bears a larger proportion of the cost of production. New industrial units will be exempted from this levy for a period of 3 years from the date of commencement of production. The proposal to increase the assessment on irrigated land and water rates, has been under examination for quite a long time. Various expert bodies like the Taxation Enquiry Commission. Planning Commission and the Finance Commission, have been drawing attention to the need for such an increase in the light of the

present agricultural prices and increased costs of administration. The enhanced assessment will not be subject to further increase by the levy of local cess and surcharge under the Panchayat Act. The scheme for the taxation of urban land, may take time for implementation, because it would involve an elaborate settlement operation. In view of the need for larger recurring grants to Municipal bodies on water supply, drainage, roads, education, etc., it is only prudent that the Government should tap a new and growing source of revenue arising within urban limits. It is proposed to introduce the scheme in Madras City during the current year.

10. These new taxation proposals are indeed burdensome but an effort of this order is the least that we should do to ensure a measure of budgetary balance. There had been many occasions in the past when this State was faced with similar situations and on all such occasions the men then in charge of the administration had resorted to additional taxation unflinchingly. It is this prudent tradition built up over the years, that has strengthened the financial structure of the State and enabled the construction of lasting productive assets of substantial magnitude, for the benefit of the people. Up to the end of the last financial year, we had invested Rs. 121 crores on power projects, Rs. 65 crores on irrigation projects and Rs. 65 crores on buildings, stocks and other capital assets. We had also lent about Rs. 56 crores to Local Bodies, Public Trusts and cultivators, and these investments are fetching us a fair return. As against these assets of a book value of about Rs. 307 crores, the public debt of the State is only Rs. 214 crores. It is this inherent financial strength that has encouraged the discerning investors to subscribe with confidence to all the open market loans floated by the Government and by the Statutory Corporations, constituted on the authority of this Legislature. It shall be the endeavour of the present Government to sustain this healthy tradition of financial prudence.

With these remarks, Sir, I commend the Budget Estimates for 1962–63 for the acceptance of this House.

VIDWAN T. MUTHUKANNAPPAN : On a point of information, Sir. In regard to the increase in the dearness allowance of the low paid public servants, I should like to know whether the scheme includes teachers also.

MR. CHAIRMAN : The House will now adjourn and meet again at 3 p.m. on Monday, the 2nd July 1962.

The House then adjourned.

IV.—PAPERS LAID ON THE TABLE OF THE HOUSE.

*87. *Notification issued with G.O. Ms. No.* 185, *Home, dated* 11*th January* 1962, *regarding amendments to the Madras Denatured Spirit, Methyl Alcohol and Varnish (French Polish) Rules*, 1959.